

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 23-226

Organization: New York Mercantile Exchange, Inc. ("NYMEX")

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 07/28/23 Filing Description: Initial Listing of the Argus Butane (Saudi Aramco) Futures Contract

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers:

New Product

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

Official Product Name: See filing.

Product Terms and Conditions (product related Rules and Rule Amendments)

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

Official Name(s) of Product(s) Affected:

Rule Numbers:

July 28, 2023

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
 Office of the Secretariat
 Commodity Future Trading Commission
 Three Lafayette Centre
 1155 21st Street, N.W.
 Washington, DC 20581

**Re: CFTC Regulation 40.2(a) Certification. Initial Listing of the Argus Butane (Saudi Aramco) Futures Contract.
 NYMEX Submission No. 23-226**

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. (“NYMEX” or “Exchange”) is certifying to the Commodity Futures Trading Commission (“CFTC” or “Commission”) the listing of the Argus Butane (Saudi Aramco) Futures contract (the “Contract”) for trading on the CME Globex electronic trading platform (“CME Globex”) and for submission for clearing via CME ClearPort effective Sunday, August 13, 2023 for trade date Monday, August 14, 2023.

Contract Title	Argus Butane (Saudi Aramco) Futures
CME Globex and CME ClearPort Code	MBA
Rulebook Chapter	861
Settlement Type	Financial
Contract Size	1,000 metric tons
Pricing Quotation	U.S. dollars and cents per metric ton
Minimum Price Fluctuation	\$0.001 per metric ton
Value Per Tick	\$1.00
Termination of Trading	Trading terminates on the last business day of the month prior to the contract month
Listing Schedule	Monthly contracts listed for the current year and the next consecutive calendar year. List monthly contracts for a new calendar year following the termination of trading in the December contract of the current year.
First Listed Contract Month	September 2023
Block Trade Minimum Threshold	2 contracts – subject to a minimum 15-minute reporting window
CME Globex Match Algorithm	First-In, First-Out (FIFO)

Trading and Clearing Hours	CME Globex Pre-Open: Sunday 4:00 p.m. - 5:00 p.m. Central Time/CT Monday - Thursday 4:45 p.m. - 5:00 p.m. CT
	CME Globex: Sunday - Friday 5:00 p.m. CT with a daily maintenance period from 4:00 p.m. - 5:00 p.m. CT
	CME ClearPort: Sunday - Friday 5:00 p.m. - 4:00 p.m. CT with no reporting Monday - Thursday 4:00 p.m. - 5:00 p.m. CT

Additionally, the Exchange is also notifying the Commission that the amendment to the position limits aggregation of existing Mini Argus Butane (Saudi Aramco) futures. The contract size of the Mini Argus Butane (Saudi Aramco) futures is 100 metric ton, or one-tenth of the size of the new Argus Butane (Saudi Aramco) futures. As a result of the new product listing, the Exchange is amending the aggregation such that the position limits for the Mini Argus Butane (Saudi Aramco) futures will aggregate into the new Argus Butane (Saudi Aramco) futures in 10-to-1 ratio.

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA”) and identified that the Contract may have some bearing on the following Core Principles:

- **Compliance with Rules:** Trading in the Contract will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair, and abusive practices. Additionally, trading in this Contract will also be subject to the full range of trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group’s designated contract markets, activity in this product will be subject to extensive monitoring and surveillance by CME Group’s Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.
- **Contracts Not Readily Subject to Manipulation:** The Contract is not readily subject to manipulation because of its structural attributes, underlying market, and reliance on a well administered index. The Contracts final settle against an index published by Argus Media and licensed to the Exchange.
- **Prevention of Market Disruption:** Trading in the Contract will be subject to Rules of NYMEX, which include prohibitions on manipulation, price distortion and disruption to the cash settlement process. As with any new product listed for trading on a CME Group designated contract market, trading activity in the Contract proposed herein will be subject to monitoring and surveillance by CME Group’s Market Regulation Department.
- **Position Limitations or Accountability:** The speculative position limits for the Contract as demonstrated in this submission are consistent with the Commission’s guidance.
- **Availability of General Information:** The Exchange will publish on its website information regarding the Contract specifications, terms, and conditions, as well as daily trading volume, open interest, and price information.
- **Daily Publication of Trading Information:** The Exchange will publish the Contract trading volumes, open interest levels, and price information daily on its website and through quote vendors for the Contracts.
- **Execution of Transactions:** The Contract will be listed for trading on the CME Globex electronic trading and for clearing through the CME ClearPort. The CME Globex trading venue provides for

competitive and open execution of transactions. CME Globex affords the benefits of reliability and global connectivity.

- **Trade Information**: All requisite trade information for the Contract will be included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- **Financial Integrity of Contract**: The Contract will be cleared by the CME Clearing House, a derivatives clearing organization registered with the CFTC and subject to all CFTC regulations related thereto.
- **Protection of Market Participants**: NYMEX Rulebook Chapters 4 and 5 set forth multiple prohibitions that preclude intermediaries from disadvantaging their customers. These rules apply to trading in all of the Exchange's competitive trading venues and will be applicable to transaction in the Contract.
- **Disciplinary Procedures**: Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend, or expel members or market participants that violate the Rulebook. Trading in the contract will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power in the event rule violations in the product are identified.
- **Dispute Resolution**: Disputes with respect to trading in the Contract will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows all non-members to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a nonmember is required to participate in the arbitration pursuant to Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2(a), the Exchange hereby certifies that listing the Contract complies with the Act, including regulations under the Act. There were no substantive opposing views to listing of the Contract.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or e-mail CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: NYMEX Rulebook Chapter 861
Exhibit B: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)
Exhibit C: NYMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table
Exhibit D: Exchange Fees
Exhibit E: Cash Market Overview and Analysis of Deliverable Supply

EXHIBIT A
NYMEX Rulebook
Chapter 861
Argus Butane (Saudi Aramco) Futures

861100. SCOPE OF CHAPTER

The provisions of these Rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

861101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the final assessment from Argus Media for "Butane (Saudi Aramco)" contract price for the contract month.

861102. TRADING SPECIFICATIONS

The number of months open for trading at a given time shall be determined by the Exchange.

861102.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

861102.B. Trading Unit

The contract quantity shall be 1,000 metric tons. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

861102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per metric ton. The minimum price fluctuation shall be \$0.001 per metric ton.

861102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

861102.E. Termination of Trading

Trading shall cease on the last Business Day of the month prior to the contract month.

861103. FINAL SETTLEMENT

Delivery under the contract shall be by cash settlement. Final settlement will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract.

861104. DISCLAIMER

See [NYMEX/COMEX Chapter iv. \("DISCLAIMERS"\)](#) incorporated herein by reference.

EXHIBIT B

NYMEX Rulebook

Chapter 5

(“Trading Qualifications and Practices”)

Position Limit, Position Accountability, and Reportable Level Table

(under separate cover)

EXHIBIT C

NYMEX Rulebook

Chapter 5

(“Trading Qualifications and Practices”)

NYMEX Rule 588.H. – (“Globex Non-Reviewable Trading Ranges”) Table

(additions underscored)

Instrument Name	Globex Symbol	Outright		
		Globex Non-Reviewable Ranges (NRR)	NRR: Globex Format	NRR: Ticks
<u>Argus Butane (Saudi Aramco) Futures</u>	<u>MBA</u>	<u>\$1.00 per metric ton</u>	<u>1000</u>	<u>1000</u>

EXHIBIT D

Exchange Fees

	Member	Non-Member
CME Globex	\$7.00	\$9.00
EFP	\$7.00	\$9.00
Block	\$7.00	\$9.00
EFR/EOO	\$7.00	\$9.00

Processing Fees	Member	Non-Member
Cash Settlement	\$1.00	\$1.00
Facilitation Fee		\$0.60
Give-Up Surcharge		\$0.05
Position Adjustment/Position Transfer		\$0.10

EXHIBIT E

Cash Market Overview and Analysis of Deliverable Supply – Saudi CP Butane

Exchange staff conducted a review of the underlying cash market and deliverable supply of butane for the new Argus Butane (Saudi Aramco) futures. The product will be listed for trading on CME Globex and be made available for submission for clearing through CME ClearPort.

Contract Title	Commodity Code	Rulebook Chapter
Argus Butane (Saudi Aramco) Futures	MBA	861

Data Sources

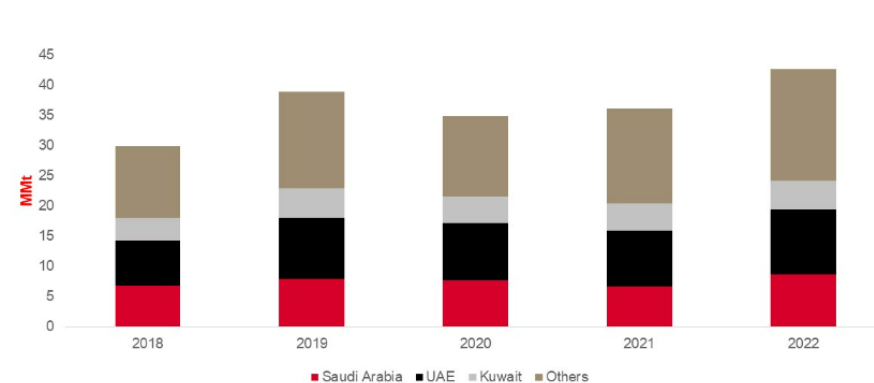
The Exchange has used several data sources to establish an overall level of deliverable supply for the butane and propane markets.

The Exchange has based its analysis of deliverable supply of butane on official production data provided by Saudi Aramco. The Exchange has used the published volumes of production and sales (exports) for butane as made public by Saudi Aramco, the benchmark reference price source for the butane market. The data is obtained from the annual reports that are published by the state energy company **Saudi Aramco**. CME is a party to license agreements with Argus to utilize their pricing data for the Saudi CP. Argus reports the Contract Price (CP) as provided to it by Saudi Aramco monthly and does not make any assessment on the value of this price. This price is an Official Selling Price and is therefore not subject to Argus Media policies, processes, and control activities in respect of sources and data verification.

Liquefied Petroleum Gas (“LPG”) market Cash Market Overview

S&P Global Platts notes that LPG exports from the Middle East reached 42.7 million tons in 2022¹. In the region, LPG exports are almost evenly split into propane and butane cargoes; as such, the oil output cut will have a similar effect on propane and butane exports.” Saudi Arabia, the UAE and Kuwait exported 24 million tons of LPG in 2022 which is estimated to be around 675 cargoes.

Figure 3: Middle East LPG exports by country



S&P Global
Commodity Insights

S&P Global Commodity Insights 3

¹ https://platform.platts.spglobal.com/web/client?auth=inherit#platts/insightsArticle?articleID=66be3d13-64a7-4857-87ab-4c1a52b882f3&_ga=2.177662636.860870695.1686063612-2119385859.1686063612

Propane and Butane are two similar gases used for heating and other fuel applications. Butane burns more cleanly and provides more energy, whilst propane is more appropriate in applications where temperatures may drop below freezing. Propane and butane are typically referred to together as liquefied petroleum gas (LPG) in Europe and Asia, and as natural gas liquids (NGLs) in the United States.

LPG is typically shipped in liquefied form in specially designed vessels that carry up to 22,000 metric tons. Each shipment will be either 100% propane, 100% butane, or mixed of propane and butane in separate compartments.

Saudi Arabia butane

Saudi Arabia is one of the world's major exporters of propane and butane, and the monthly reference price set by national oil and gas producer Saudi Aramco has become a key benchmark for all the exporters of LPG from the Middle East, such as Kuwait Petroleum and the Abu Dhabi National Oil company. Saudi Aramco is the largest producer of LPG in the Middle East.

Contract prices for Propane and Butane typically reference the Saudi contract price and majority of cargoes are shipped to the Asian markets, where Japan, South Korea, India, and China are the major importers. There is a liquid paper market then has developed due to the heightened physical exposure to the Saudi prices. The paper market is diverse in terms of participation with large numbers of end-users looking to hedge their exposure to the Contract Price set by Saudi Aramco.

Saudi Aramco provides data on its butane production volumes but does not make its export volumes available beyond the 2017 reporting period. Based on the historical data back to 2015, the export volumes are about 80% of the total volume produced therefore, this figure has been maintained to derive an export value for 2019 to 2021. For the three-year period 2019 to 2021, Saudi Aramco produced an average volume of 111.07 million barrels of butane of which 88.83 million barrels was exported.

Table 1: Saudi Aramco Production and Exports of Butane 2019 to 2021

Unit: Million barrels

Saudi Aramco	2019	2020	2021	3-year average
Butane production	116.4	110.6	106.2	111.07
Butane sales (exports)	93.12	88.4	84.96	88.83

Source: Saudi Aramco Annual Review – 2020 to 2022 (for period 2019-2021)

Analysis of Deliverable Supply

Appendix C to part 38 of the Commission's regulations defines deliverable supply as "the quantity of the commodity meeting the contract's delivery specifications that can reasonably be expected to be readily available to short traders and saleable by long traders at its market value in normal cash marketing channels at the derivative contract's delivery points during the specified delivery period, barring abnormal movement in interstate commerce. Typically, deliverable supply reflects the quantity of the commodity that potentially could be made available for sale on a spot basis at current prices at the contract's delivery points².

The **Argus Butane (Saudi Aramco) Futures** contract is financially settled against the Saudi Aramco Contract Price (CP) for butane. The Exchange has determined to base its analysis of deliverable supply on production data of Saudi Aramco butane. The Exchange has used the 3-year average production figures as produced by Saudi Aramco and reported in their annual report (see table 1) to determine the volume of deliverable supply.

Based on this data for 2019 to 2021 production of butane was 111.07 million barrels. This is equivalent to 9.255 million barrels per month, or 797,916 metric tons per month, assuming a barrels-to-metric ton conversion rate of 11.6 barrels per metric ton. In addition to the production data, the export data was also presented in table 1 to illustrate the export-oriented characteristic of Saudi Aramco. Production and Imports add product to a market and exports and consumption represent the usage of the product within a market. Saudi Aramco does not produce an import number therefore it has been excluded in the calculation of deliverable supply. An export figure was included in the Aramco annual report up to 2017 and then it ceased to be produced.

The level of exports equates to around 80% of production and this figure was based on the 2015 to 2017 figures where both production and export volumes were published. The percentage figure of 80% was applied to the production volumes for 2019 to 2021 to derive an export figure. It is important to note that that the level of exports will vary over time according to internal market demand. For this reason, we have excluded exports as the basis for determining deliverable supply and the deliverable supply base is represented by production only. We believe that this is a conservative approach in the determination of deliverable supply. For the contract size of 1,000 metric tons per contract, Exchange staff hence proposes a spot month limit of 175 contracts or 175,000 metric tons which is the equivalent of 21.9% of the total monthly deliverable supply in the butane market.

Based on a deliverable supply for the **Argus Butane (Saudi Aramco) Futures** contract of 111.07 million barrels or 9.255 million barrels per month or 797,916 tons per month. The total monthly deliverable supply is 798 futures contracts (rounded up) based on a futures contract size of 1,000 metric tons. The Exchange proposes a spot month position limit of 175 contracts which is 21.92% of the total monthly deliverable supply in the butane market.

As a result of the listing of the contract, the Exchange is amending the aggregation of the existing contract such that positions in the Mini Argus Butane (Saudi Aramco) Futures (commodity code MAA) will aggregate into the Argus Butane (Saudi Aramco) Futures contract.

² <https://www.govinfo.gov/content/pkg/CFR-2022-title17-vol1/pdf/CFR-2022-title17-vol1.pdf>